

**COMMITTEE ON ACCOUNTS, ENROLLMENT
& REVENUE ADMINISTRATION**

February 19, 2002

4:00 PM

Chairman Shea called the meeting to order.

The Clerk called the roll.

Present: Aldermen Shea, Guinta, Smith, Thibault, Lopez

Messrs: K. Buckley, R. Sherman, K. Clougherty, J. Shaffer, T. Arnold,
B. Lemire

Chairman Shea advised that the first purpose of the meeting shall be organizational in nature, and requested the Clerk to provide a brief overview regarding typical issues addressed by the Committee.

Clerk Bernier stated I just handed out a description out of the City Government Book that explains the function of your Committee. Also, page 3 of your agenda shows the same description. Most of you who were on the Board during the last term are familiar with this. If you have any questions or any past minutes that you want to figure out what direction this Committee was going in, I would be happy to assist you.

Alderman Thibault stated I was on this Committee last year and I know that Kevin Buckley, the internal audit manager, has always kept us up to date. If anyone has a problem, I am sure he would be happy to help us. Guy Beloin also has always been available. I think you will find that these people are very much behind us.

Chairman Shea addressed Item 4 of the agenda:

Audit status update submitted by Kevin Buckley, Internal Audit Manager.

Mr. Buckley stated first I would like to go over the status of the audits that I have in process at the moment and the first one is the Welfare Department audit. In November you asked me to go over there and do a full audit of them. The audit, the fieldwork is wrapped up and the report has been drafted. The auditee's responses have been put in the report and we are just going through the review phase now and I fully expect a report to be presented at the next Committee on Accounts meeting. Because that audit was thrown in the middle, I had to change

the dates of the audits that come afterwards so if you compare the schedule that I have here to the old schedule you are going to notice there are some differences. The audits that I had on that last schedule I still have them and I intend to do those. I am going to be starting in Tax Abatements next and that will be coming up very soon. I will be talking to them and that won't take very long. I might even have that report for you when we are ready. The last piece of business is the healthcare claims audit. If you remember, quite a while ago we hired a company, Health Claims Consultants, to look at all of the paid claims that Anthem has processed for us to make sure that they were properly paid and attached you will see a couple of reports of their initial findings. You will notice that they have estimated over payments of about \$513,000 that they found to date. A lot of these are in the process between Anthem and Health Claims as to whether they are legitimate over payments or not and we have found cases where some of them were not and we have had to pull them off. We just had a meeting with Anthem and they agreed to a whole number of the ones that we have on there.

Alderman Thibault asked is that part of the \$485,000 that you are talking about.

Mr. Buckley answered yes. Based on our meeting today, they have some slightly updated figures from Anthem. There are members from Health Claim Consultants who are here and prepared to answer any questions.

Alderman Lopez stated you mentioned over \$500,000 and you have \$485,000 here. I am a little confused.

Mr. Buckley replied \$500,000 is the total that they have already collected and we got credit for and the stuff we are trying to get credit for.

Alderman Lopez asked was that for 2000-2001.

Mr. Buckley answered I don't understand the question.

Alderman Lopez asked are those the audit claims for the year 2000-2001.

Mr. Buckley answered I think they looked at all claims from December of 1999...

Ms. Jan Harper of Health Claims Consultants stated if you look at the report, the first report dated July 9 that is the report that we have had responses from. Today we met and we changed the numbers just a little bit. Like Kevin said, some came off. Most of the numbers that make up the bulk of the \$500,000 are here and we have had no responses to those at this time. They did give us responses today but we haven't had a chance to look at that. Would you like me to go through that? I broke it down by duplications, claims paid over the rehab max, miscellaneous

payment errors and that could be like a payment rate processed incorrectly, a co-pay deductible, the VA claims...as you know the City has a settlement from the Veteran's Administration and these claims have been excluded from our audit because they were previously settled. We did identify them but they had been included in the settlement that the City received in 1999. On the confirmed errors outstanding, that is the amount of money that based on today's meeting we could still expect that. Some of the numbers have changed to date. The total, and I will show you on a summary, from these reports the amount of money that we expect and they have confirmed as of today would be an additional \$15,000 and that is rounded so it would the total from the first report. \$27,000 has been recovered of that so that would leave an additional \$15,000 to be recovered and that at this point would represent a 1.3% error rate. However, as you can see the other reports we have not had responses to so that will change. The confirmed errors will change as soon as we get the responses from Anthem. Also, we had the Atlantic file. We reviewed 8,257 records. The paid amount for that is \$1,086,659 and those reports are also reflected in a breakdown by Atlantic Medicare. We estimate that was overpaid by \$6,700, duplications \$9,600 and miscellaneous and as I stated we have not had responses from Atlantic. The Subrogation case, \$204,000, represents one employee involved. We are talking with the City at this time and that will need more investigation. That is a large part of the \$357,000. On the Medicare, I would expect that based on the information we have that will be a fairly accurate number, the \$103,000, as well as the duplications and the miscellaneous. I think if you are looking at expectations, if you add those numbers you could possibly expect \$100,000 on that but we will not know that for certain until we look at their responses.

Alderman Lopez stated I have to ask this question because if I don't I will walk out of here and regret it. The number that has been agreed upon, whatever that number is, what number is that?

Ms. Harper replied the \$43,261.

Alderman Lopez asked is that with interest.

Ms. Harper answered no.

Alderman Lopez asked when would they pay that to us.

Ms. Harper answered let me show you this document, the \$27,582 has already been recovered and credited so that leaves an additional \$15,000 and today in our meeting we asked for dates. The adjustments were entered in January by Anthem and they explained to us that it takes sometimes six to eight weeks for those

credits to actually flow through the system, reprocess and come back in to the City on an invoice.

Alderman Lopez asked do you anticipate all of this to be corrected before we finalize our budget in June.

Mr. Buckley answered yes this should be wrapped up before June. The Anthem part of it will be because they have been very cooperative with us. Atlantic Administrators has ignored us up to this point. Jan has sent them letters wanting explanations and so far they have chosen not to send us anything back.

Alderman Lopez asked what is our next step if they refuse to give us answers.

Ms. Harper answered normally they will respond to me. We have methods and we will continue to work with them but if not I would write a letter to the City and say that I have exhausted all of my efforts. That has never happened in our company. We normally always get a response. Sometimes it just takes a lot of work. We will get the responses.

Chairman Shea addressed Item 5 of the agenda:

Communication from Guy Beloin, Financial Analyst II, submitting monthly financial statements for the six months ended January 31, 2002.

Mr. Sherman stated Guy is downstairs somewhere so I will step in for the time being. What you have in front of you are our seven month unaudited financial statements. We will send these to the Committee on a monthly basis. You probably saw in early or late January a quarterly report, which is a much more comprehensive set of financial statements that gives you more trend information. We also sent out a CIP report so you know where all of your capital and community improvement projects were and we also sent out a treasurer's report dealing more with the cash flow and the debt. What we do on a monthly basis is just give you these real brief financial statements.

Mr. Clougherty stated what happened with Guy is we give you the financial statements that are printed on both sides but the agenda only has one side printed. If you are just using the agenda, you only have part of the report so he is making copies so that you have in front of you a complete set and here he is now.

Mr. Sherman stated there are a few points that I would like to make about the financials and then I will certainly answer any questions. The first thing I would like to point out is actually on Page 1. What we do give you is a balance sheet and

then we give you both the expense budget and the revenue budget. Pages 1, 2, 3 and 4 actually are balance sheets. Just a couple of things that I want to point out here. The City is broken out into funds and typically what we deal with or what the Aldermen tend to deal with more so is the general fund. That is where all of your operating budgets are. Then we have our special and capital funds moving across. Those are the ones that are either paid through grants or bonds and then we move into our Enterprise funds, which are the Airport, Water Works, EPD, Parks & Recreation and Aggregation. Then we have our trust funds, our long-term debt and our fixed assets are in the capital asset column. What I want to focus on more so today is the general fund. The first number I want you to take a look at is the very first one, cash and cash equivalents. Just so you know we are sitting right now on almost \$50 million in cash. The way the City operates is we send our tax bills out twice a year. We have now collected the majority of our property tax revenues and that cash needs to get us through until our next bills go out in June. I just wanted to point out the fact that when the City changed the fiscal year we are sitting on about \$50 million in cash at the end of January. On Page 3 I would like to point out about halfway down that page where it says fund balances those are in essence the City's retained earnings. If you look at the total fund equity section, it is about \$38 million. Keep in mind again that we have collected the majority of our revenue so far and we still have five months of expenses to go. The number that you really want to tend to focus on as you are looking through these financial statements is where it says undesignated, which right now as of January is the \$19 million number. The numbers above that are all of the City's reserves that we have for different purposes. Some of them are for insurance. The revenue stabilization is to protect the City in a downturn in the economy to help offset some shortfalls on the revenue side but that is really our fund equity section. When we come down to the end of the year, it is the number that is left in that undesignated fund balance that really is your surplus that you can use to help reduce your property taxes going forward. On Pages 5 and 6 we have a two-year expense budget comparison. If you look in the fourth column and in the last column where it has the percent unobligated what we do is we list the departments out on the top and then we list some of the non-departmentals down on the bottom. If you look down where the departments are in that unobligated column, you will see that our unobligated balance for the remainder of the year is at 39.97%. If you look to the far right on that same line, last year at this point we were at 42.42%. We are actually running behind last year in the expense. Now with five years left you should be somewhere in the 41% or 42% range so departments are struggling at this point. The majority of that, though, is over at the Welfare Department. Now the \$1 million that we set aside for the Welfare Department is actually below the line and as a matter of fact on tonight's agenda we are asking that you take \$250,000 of that and move it up to the Welfare Department so that they can pay their bills for the next couple of months as we continue to work out the issues over there.

Alderman Thibault asked do you have a number as to exactly where the Welfare Department ended up or where it is ending up.

Mr. Sherman answered we are still projecting a \$1 million shortfall. Their claims and clientele that come in do fluctuate. It tends to drop down around the holiday season and then in January it spikes back up. We have gone back historically and looked at the early 90's to see how the trend goes and we are still in that \$950,000 to \$1 million shortfall range. We haven't really felt an impact yet of Hackett Hill to see if that is really going to benefit us or not. On Page 7 and 8, again it is an expense budget comparison but what we have done here is out of the department budgets we have stripped out all of their benefits so actually the expense budget rolls over to Pages 9 and 10. The bottom lines are the same but by pulling out the benefits it actually shows that the departments have just over 40% of their operating budgets left to spend when again in that fourth column where last year they were still over 42%. Again, we are running a little bit behind last year. I don't think it is anything that the departments can't adjust for over the next five months. We can jump over to Pages 11 and 12. We start to get into the revenues. On Page 11 we give you the revenues by department. On Page 12 we give you the revenues more by category of those revenues. There are some good items on this page. For example, auto registration we only have 44% left to collect so again that one is actually running a little bit ahead of budget but obviously as you start to get down into things like parking violations and parking fees, we are obviously running behind. Interest income. In that last section on Page 12 we have only collected about 40% of the revenues at this point and we should be closer to 60%. Those are the areas that we are watching. I think this is pointed out a little bit clearer if you turn to Pages 13 and 14, which are the last two pages of the report. What we have done on this report is tried to get the Board an indication of where their revenues are heading here. The first column lays out our 2001 actual revenues so if you take the budgets and throw the budget out, this is our 2001 actual revenues. If you go to the bottom of that, for non-property tax revenues we collected \$41.5 million last year. The second column shows you what you budgeted in FY02. You actually budgeted \$46 million even though you only collected \$41.5 million the prior year. The third column shows you the difference and the fourth column shows you the percent increase. You actually budgeted an 11% increase in your revenues for budget versus actual the prior year.

Alderman Guinta stated I have a quick question regarding civic center parking for modified budget FY02 which shows almost \$1.5 million. Can you explain that figure for me?

Mr. Sherman replied in FY01 we didn't have a civic center budget. In FY02 the budget that was put in for civic center parking was at \$1.468 million. If you go over to column 5 and 6, that shows you what we have collected so far.

Alderman Guinta asked so when it says civic center parking can you explain to me what that entails and what the expectation was on meters or tickets or parking in City garages.

Mr. Sherman answered it includes the meters for six days a week up until 8 PM. It includes all of the open-air parking lots and it includes the garages. Now they drew a circle around the civic center and tried to figure out how far that goes. It goes all the way down, I believe to the Canal Street parking garage and, therefore, picks up the Victory parking garage and then it circles down and hits the Rubenstein Lot on South Commercial Street. Obviously it gets the meters up to about Valley Street. That is really your area. It is like Valley to Vine and then down to Canal. That does include all of those parking revenues and they are segregating them to the best of their ability for event nights. They try to get the meters and pull out those meter revenues for an event night versus the person that is coming in and paying on a regular business day. Certainly for the garages they can do it because people coming in after 5 PM they are chalking that all up to the civic center. Just to finish up here, the last column on that page shows you what your increase is for the first seven months as compared to last year. Even though we had an 11% increase budgeted, our increase so far to date is only 1%. That shows that we are actually running well behind the budget. We are actually ahead of last year's revenues but we are running well behind the budget. Now there is one thing you have to keep in mind when you are looking at this. There is a \$2 million revenue budget in here for the health claim audits. Now if you back that \$2 million out and the reason we can back it out when you are looking at some of these numbers is because if I don't have the revenues I don't have the expense. That is just something where we have to budget an expense so that we can pick up the revenues and pay these folks over here their commission. If you back that \$2 million out of the budget, we are actually looking at just over a 6% increase from budget to actual this year. We are still running a good 5% behind on our budget. We have done a projection and the Mayor's Office has asked us for a projection and we provided them with a number late this afternoon that looks like we are going to be in the \$1.1 to \$1.2 million shortfall range. Now the good news in this is if you flip back to that balance sheet and you look at the revenue stabilization fund that is what that is there for. If we come up short on our revenues, we tap into that fund. Now that doesn't mean that the Mayor may not ask for steps in the meantime to hopefully reduce those numbers. That doesn't mean that the Board won't want to take some action to reduce those numbers but if we do come up short on our revenues, that is why we have that revenue stabilization fund. Ten years ago when we got hit with a bad recession, we were coming in with three

months to go and trying to cut \$6 million out of our budget and that is when we decided that we needed to be funding that revenue stabilization so that is why that is there. With that, I will take any additional questions.

Alderman Smith asked what is our bonded debt now.

Mr. Sherman asked how much we have outstanding or...

Alderman Smith interjected total.

Mr. Sherman stated Joanne will get that number for you. Actually on the balance sheet we are at \$178 million.

Chairman Shea asked is that obligation bonds.

Mr. Sherman answered \$92 million for general obligation. This would have been as of December. We had \$92.5 for general obligation and another \$264 million for our Enterprise fund and another \$49.5 million for the School District. If you are thinking just general fund and school you are at \$142 million. That was as of December.

Alderman Lopez stated the revenue for 2002 on parking violations...I am looking on Page 12 and I noticed that the actual is \$805,179 for FY01. I was talking to Deputy Chief Robinson and I am just trying to verify this. He told me that his budget was \$811,000 and I can't find that. Is this the actual number that they said they were going to get in their budget for parking violations, \$1.2 million?

Mr. Sherman replied the difference between the \$1.2 million and the \$800,000 was one of the last items that the Aldermen put in the budget last year was \$400,000 for parking violations due to the civic center. That number was put in there and added to their \$800,000.

Alderman Lopez asked it was added.

Mr. Sherman answered yes it was.

Alderman Lopez asked do they realize that.

Mr. Sherman answered I talked to some of their staff who didn't realize it until the last couple of months.

Alderman Lopez stated he is using the figure of \$811,000.

Mr. Sherman replied I know and I haven't talked to him but I have talked to the Finance staff over there.

Alderman Lopez stated I would suggest that you talk to the Chief about it.

Mr. Sherman replied I will.

Alderman Guinta asked can you quickly go over again...you said last year we were trying to cut \$6 million in a short amount of time and you are talking about from the actual budget.

Mr. Sherman answered no actually I believe it was 1991 when it happened. That is when we were still on a calendar year and we went up and set the tax rate in September or October and our revenues were so far off that year that our alternatives were raise property taxes to generate \$6 million more or start cutting. We ultimately ended up doing a combination of both but because we were on a calendar year we had a very short time frame to do that so there were lay-offs and some other pretty drastic measures that were taken that year. It was based on that that the City said okay we can't have this happen again and we can't start cutting services for a 90 day window to make up for these shortfalls. That is when we put in the funding source for the revenue stabilization and it has built up since FY94 and at this point it is up to this \$9 million. We have actually taken money out of it once before when we had a shortfall. I don't recall what year that was.

Alderman Guinta asked do you have an idea of how much we took out.

Mr. Sherman answered less than \$500,000.

Alderman Guinta asked but since 1991 we have not had to make any cuts during a fiscal year for services.

Mr. Sherman answered a couple of years ago, or actually the first year that Mayor Baines was in office he made the decision to slow down some spending over that last six months of the budget when he first took office but it was so he could generate a fund balance more so going forward to deal with the next year's budget so you put a hiring freeze on and that tends to slow things down. Have we made drastic cuts like that? No we haven't had to.

Mr. Clougherty stated just to follow-up on that each year when the Board is adopting its budget it puts in place all of the expenses on one side and then all of your revenues. On that revenue side you have your non-property taxes like we are talking about here and you have a number for fund balance that you take from one year to the other and this year it is about \$1 million or \$1.5 million. The concern

we need to be sure we leave today is that your revenues are running behind the budget this year so even if we have a tremendous gust and we are able to create a surplus on the revenue side, which isn't going to happen, that excess would be able to be used for fund balance. That excess would be able to be used for fund balance. In all likelihood on your revenue side this year you are not going to make your projection and you will have to use the rainy day fund but that is not going to give you a surplus, it is going to get you to zero. On your expense side for this year, a lot of the departments will not be turning back excess appropriations because we had to take most of that and set it aside for our Welfare issue. You may come out of this current fiscal year with the amount of money to be carried forward for fund balance as part of the calculation in next year's budget as zero. We are going to be meeting with the Mayor over the next few days here and with the departments to see what can we do to try and generate some fund balance. Now the more you can do on the revenue side, that means a little bit less you hit the rainy day fund but that does not create excess revenues for a fund balance to be used for the budget for next year.

Alderman Guinta asked so it is possible that we are going to have to try to look at some ways to cut our budgets.

Mr. Clougherty answered it is conceivable and we would be looking at these things and again what we are trying to make sure is...if you have looked at these things and I think Randy mentioned earlier if you looked at the financials, the monthly financials two months ago, the pattern of collections was different. I think at the end of December we were about \$600,000 ahead and now we are behind so as of December it is like everything hit a stone wall and just dropped off. I think you are going to have to realize that there is an economic reality that is hitting us. We may have to make some decisions but we are not going to rush to judgement on that. We are going to take a look at the stuff over the next two days and see if there are some actions that may have to be taken in order to create some fund balance so that you don't have to make up \$1.5 million as part of next year's budget that would have to be raised in taxes.

Alderman Lopez stated I talked to Kevin and I just have to ask this question. I read some articles and other cities are having the same problem that we are having as you are well aware. The formula that we have in the ordinance now, what would happen if we changed that formula on the policy on the rainy day fund and we take the revenue that we need because we didn't make the revenue. What happens to that excess money? For example, we have \$9 million and we need \$2 million for revenue and we have \$7 million and we change the formula from from 5 to 3. What happens to that money?

Mr. Clougherty replied I guess it would depend on how you change the formula. My recommendation to you would be don't change the formula because the credit markets and the people you borrow money from and the people who buy those, the investors, are saying we want that preserved only for limited access by people. If you went out to change it and said alright not only are we going to take the amount of money that we need to make up the revenue shortfall but we are going to take another amount of money to pay off our budget for next year, I don't think they would look very favorably on that. I think your credit rating, along with some of these other problems, might be at risk.

Alderman Smith stated Kevin we had a talk about the rainy day fund before and about the report that is coming out tonight that we have access to \$3 million and I asked you about appropriations. Could we use that money at this time because some of that money was appropriated and not bonded?

Mr. Sherman replied no. Part of the problem is...well it is not necessarily a problem but when the auditor was here and he was talking about the City's financial statements and he said you have \$3.6 million of the undesignated, you have already used \$1.5 million of that against FY02 because he is in talking about FY01. You have already used \$1.5 million of that, which leaves you with the \$2.1 million. The problem that we have is when you combine that with the School District they are sitting on a \$2.9 million deficit. When we go out and try to sell bonds, they are looking at the City as a whole. They are saying \$2.1 million here and a minus \$2.9 million here and you guys are in trouble. The reason it is at the \$3 million number and we haven't used more is because right now we are still trying to balance off with the School District. Once the School District works through their deficit issues and can build their own fund balance, then obviously we can take that money out but it still has to go through your annual appropriation process.

Mr. Clougherty stated the reason we felt comfortable allowing the \$1.5 million each year is because you would be turning over your excess appropriations each year. Departments turn back money at the end of the year. They don't spend all of it and you are running a little bit behind and the good economy creates some excess revenue. That is not the case this year because of the recession on your revenue side and because of the recession effect on Welfare on the expense side.

Alderman Smith stated apparently we are in this position because of the School Department and the Welfare Department.

Mr. Clougherty replied and the economy.

Alderman Smith stated now you are saying that we might need to take some drastic steps. Now some departments have already had the penalty from paying for the Welfare situation and now you are going to go back to them and you are saying God forbid layoffs or what have you but that would be the ultimate thing if you were going to save money.

Mr. Clougherty responded if you wanted to create a fund balance for next year of \$1.5 million, you may have to take those types of steps. Again, could we see a turn around on the revenue side? Could we see that \$1 million that we talked about earlier that Randy said we were projecting forward...when we raised the \$1 million from the departments the reason we didn't give it to Welfare in their budget was because we wanted to keep it in contingency and try to manage that. That is why tonight we are not asking that you transfer the whole \$1 million to Welfare, just \$250,000 and keep them on a short leash month to month so that we can try to manage that. Anything that we can save out of that \$1 million will go to your fund balance and that will help you along with anything else that the departments can do. What we will do is talk to the departments primarily. They are good managers and we will say all right this is our situation and what can we look for going forward and try and do some things without getting into Draconian types of things as you suggested.

Alderman Guinta stated if, for example, we got into a position where we had to make department cuts what would be an acceptable percentage for us to cut expenses. I don't want to be cutting needed services here but is there any wiggle room or is it too hard to make that...

Mr. Sherman interjected in a typical year we usually get back 1% of our operating budget. Now it doesn't always come from the same department. In a year like this maybe Frank Thomas over at Highway isn't using all of his snow money so we get a little bit more than him. On a typical year, 1% is a good year. That is bottom line. We have already gone in and whacked the departments for the Welfare Department. I am not sure how much more wiggle room there is in some of those departments. Again, maybe Frank can get a little more out of his snow budget and maybe Fred Rusczeck is a little bit short on school nurses and maybe there is some room here and there but it is real tight and that is mainly because departments have already given up some money, which again as I talked about in the report, they are at 39% and last year they were at 42%. They are already running 3% behind where they would like to be and if you assume that 1% is built in there, there is really already 2% that they have to try to make up over the next five months.

Mr. Clougherty stated your department heads are good managers and over the years what I have found is if you go to them and say listen this is the predicament

we are in they are going to meet you halfway and try to come up with some contribution, which again we may find at the end of February when we take a look at the financials that the revenues are a little bit healthier than we thought and back up to the December levels rather than what we were seeing in January. You may see on the expense side that we were able to cut back this problem at Welfare. You may find that departments voluntarily will say okay I can do this and that and create a little fund balance on that side and that is how you work it each month. This is probably going to be an ongoing conversation that we are going to have with this Committee and with the Mayor each month to bring you up-to-date and tell you what the status of your fiscal year is.

Alderman Thibault stated not only Highway but I would think that Parks & Recreation because of not having to plow the schools and sand the schools and stuff...

Mr. Sherman interjected Traffic will make up some of that because they do some of the plowing also.

Alderman Thibault stated so we have to look at all departments I guess.

Mr. Sherman responded that is right.

Mr. Clougherty stated once you get out into the month of March you really have the winter behind you and then you can really assess where you are on some of those. I know the Board is going to want to do some resurfacing. You are not going to say we are not going to do any resurfacing but maybe you have to cut back a little here and there to get something created.

Alderman Lopez stated I want to make sure that I am on the same page here. I am having a hard time understanding the ordinance stipulating the general fund and then the audit that indicates general fund and school fund. Can we demonstrate that we have used the 5% in the last three or four years on all of the money whether it went to the schools or not or did we just use the general fund to come up with the rainy day fund.

Mr. Clougherty responded as I explained to you what drives the creation of the rainy day fund is your credit rating and setting aside a reserve that is equal. They look at your bottom line. They don't care whether you have a school over here and they don't care how you separate that out. Every town and city does it differently. What they look at is what is the bottom line. Based on that, they are looking for you to come up with a certain amount of reserve capacity. Now I think as a result of the school settlement you heard their lawyers and their auditors saying they don't have statutorily the ability to do a rainy day on their side so the

City has to make sure that on our side we are covered otherwise you are going to be in one heck of a position. You are going to be off \$3 million.

Alderman Lopez stated for the sake of argument how would you handle them talking about putting \$250,000 into a contingency fund.

Mr. Clougherty replied we went up and talked to that bill and talked to our Senators and Senator D'Allesandro was the sponsor and we have spoken to him. Really what they are trying to do there is not so much create a contingency fund but they are trying to set up reserves for their health insurance and things like we have on their side, which they already have statutory authority to do. I think you are going to find that the approach that they can use, there is already a vehicle there without creating this other fund.

Chairman Shea asked if the City were to have that fund rather than the School would it be more beneficial.

Mr. Clougherty answered it used to be, as you know, that everything was on the City side and in that case there are economies of scale. To create it on that side, if that is what the ruling is and that is what the court says, we can set it up that way to and we will follow the law.

Chairman Shea asked does the court have to rule that way or can the School Department, through negotiation with a committee of Aldermen and so forth, try to...

Mr. Clougherty interjected I think you have a lot of leeway in that regard with what the statute says. What they need to do as you know and it is perfect that we are talking about this today with the health claims because we pay...each month there is an amount that is paid to Blue Cross, which is called the premium. All that is is we are giving cash to Blue Cross so that they can pay claims because they are not going to pay our claims out of their money so we are giving them cash money to pay our claims. At the end of the month we have either given them enough money to pay the claims for that month or we haven't and they either send us back a little money or we send them the difference. At the end of the year, regardless of how much money we have sent up or they have sent back, we have to cover every one of the claims that have been made. Now they are looking at those claims to make sure they are right and that they haven't paid something they shouldn't have but on the other hand the School District has to build a budget based on claims. They have gone to look at some premium types of things but no matter which way you go, the State law says that you should have some type of reserve there and to be honest they have nothing. They are in a deficit. They are trying to create something there that is an approach that we agree with. They

should have some claims but it is not going to happen...as you know with ours it has taken us 10 years to get up to the point where Harry has almost what he needs but we are still not there.

On motion of Alderman Smith, duly seconded by Alderman Thibault, it was voted to accept the report.

Chairman Shea addressed Item 6 of the agenda:

Communication from Sharon Wickens, Financial Analyst II, submitting the
2nd Quarter FY02 write off list for the accounts receivable module.

Alderman Lopez moved the item for discussion. Alderman Thibault duly seconded the motion.

Alderman Smith stated I am concerned about some of these uncollectable...some of these people are in business even today and I don't understand why we can't get the money. Can't we use the City Solicitor to collect some of these monies or maybe I am going down the wrong street.

Ms. Shaffer replied in most instances after these bills become delinquent they are sent to a collection agency. If we are not successful with a collection agency, most of them that are over \$1,000 are forwarded to the City Solicitor's Office so that they can pursue them further. In some instances because of time limitations or just an inability to get in contact with the proper parties, we don't have any choice but to write the receivables off.

Chairman Shea asked what happens when they are sent to your office, Mr. Arnold.

Deputy Solicitor Arnold answered they are brought to my attention and I take a look at these different accounts to make the best determination I can as to whether they are collectable or not. I look at things like when was the bill incurred, make sure the statute of limitations hasn't run out and in certain instances I will look at whether given our knowledge of the defendant so to speak, whether if we got a judgement it would be collectable. As you know, it doesn't make much sense to bring a court action and get a judgement if you can't squeeze blood out of a stone. At that point, I will do one of two things. I will either get back in touch with the Finance Department saying look I don't think this one is collectable and here is why or I will bring a small claims action to try and collect some of these accounts and I have a number of those small claims actions pending now.

Alderman Thibault stated you brought up a good point Tom and I think I brought this up before this Committee before, isn't there a tracking system that we can use so that if these people ever tried to open up a business again in this City that at that point we could tap them for what they didn't pay us. Is there a tracking system that we have or that we could get? Is there a way? I don't know. It would seem to me that...I believe Alderman Smith is right that some of these people are still doing business in this City. Well if they are doing business in the City and they have a \$3,000 bill, before we give them a license we should collect the \$3,000.

Ms. Shaffer replied right now unfortunately we don't have a system that shows all of those revenues collected because each department bills their receivables separately. You would have to have some type of a business license arrangement that would centralize all of that together.

Alderman Thibault asked is that a possibility.

Mr. Clougherty answered there is no question that from an accounting perspective you can and from technology because the software is out there. The problem that we have is that each individual department is its own collection agency of sorts and until you do some type of centralized accounting you are going to run into that problem because each one of them has their own separate little revenue collection system that they are running.

Alderman Thibault asked but where this goes if I understand it is it goes to the City Solicitor as a last resort to try to collect. Wouldn't it be appropriate to put it in that department so if these people ever try to open up another business in the City we get the money?

Deputy Solicitor Arnold stated I understand what you are getting at and the context but I become a little concerned when you say that department. We certainly don't have the resources, the technology or the mechanism to keep track of that type of thing and in the end we couldn't do anything with the information. People don't come to us asking for licenses.

Alderman Thibault asked should it go to the Building Department.

Mr. Clougherty answered if every single department in the City used HTE and the receivable section rather than having their own system, you could do that.

Alderman Thibault asked isn't that something that is coming so that we get everything on HTE some day.

Mr. Clougherty answered it is a structural issue. Until you decide to do central accounting each department is going to be separate. I can't go into them and say you are going to do it this way because they work for the Highway Department and they work for some other department and they are keeping systems separately. It is frustrating. It can be done no question about it.

Alderman Smith stated for one of these businesses the statute of limitations has expired but the same business is in there for an overdue account of 90 days. That is my problem.

Ms. Shaffer asked one of the ones on the write-off list.

Alderman Smith answered yes.

Ms. Shaffer stated all of those would be on the over 90 days list because these all represent delinquencies. Until they are written off, they are still going to appear on the list.

Chairman Shea stated one of the comments I have is that so many people...well I don't know if we should review this every month or not but somehow or another there has to be a judgement made to either remove this because we are wasting paper or have something done. I am not quite sure how long they stay on these lists.

Ms. Shaffer replied what the Finance Department does is bring a list before this Committee on a quarterly basis. During that interim period of time, we pursue every avenue of collection that is available to us and as we said after we have deemed that it is not collectable it is better to write it off then to inflate your accounts receivable.

Alderman Lopez stated these items that we see to write-off have already gone through the Solicitor's Office and he is agreeing with the write-offs. Some have to do with the statute of limitations because after three years it is almost impossible to collect the money. It might help some of the other committee members to look at the revenue policy that we approved last year. Alderman Smith is right. The same names are there but there is a reason for that.

Deputy Solicitor Arnold stated just to be clear the accounts that are forwarded to our office are ones that are over \$1,000 in the aggregate. This Committee last year, as some of you may recall, set that limit. Obviously it doesn't make much sense for the lawyers in our office to spend time on a \$30 account. I just wanted the Committee to be clear on what comes over to our department and what we examine.

Alderman Thibault stated my idea was that if there was a tracking system where we could track this, when these people apply for any other license in the City they wouldn't be able to get it until their bill was paid.

Deputy Solicitor Arnold replied that was discussed last year as you may recall and I don't know myself what happened to that but there was some discussion as to how procedurally we could set-up a tracking system. The key, I think, and I don't want to speak for Finance but it appears they have a central list that departments can check before they take action on a license application or whatever administrative business they might be conducting.

Alderman Thibault stated it just seems to me that it should go to the Building Department because they issue most of the licenses. Am I right?

Deputy Solicitor Arnold replied there are a number of different departments involved. The Building Department issues permits. The Planning Department reviews site divisions and site plans. Business licensing is in the City Clerk's Office.

Clerk Bernier stated we address that issue. Anybody who is applying for a Sunday license or any other license, they have to go through the Police Department and Fire Department to make sure there are no overlapping payments before we issue a license.

Alderman Thibault stated there has to be a way that we can bring this together so that we can track it. I am not sure what it is but there has to be a tracking system where a red flag comes up.

Clerk Bernier replied that is why in Concord they have a business licensing division so everything is funneled. I think what Kevin Clougherty said that if we centralize accounts payable or receivable...you need to funnel it down to one organization. Right now you have several organizations. We do, in the City Clerk's Office, have about 1,700 people come in to apply for licenses a year and we have them go through the other departments to make sure there are no bills outstanding. It is just a small area in a large organization.

Alderman Smith moved to authorize the Finance Department to write-off the accounts receivables as presented. Alderman Guinta duly seconded the motion.

Chairman Shea addressed Item 7 of the agenda:

Communication from Sharon Wickens, Financial Analyst II, submitting reports as follows:

- a) department legend;
- b) open invoice report over 90 days by fund;
- c) open invoice report (all invoices for interdepartmental billings only);
- d) open invoice report (all invoices due from the School Dept. only); and
- e) customer comments report – customers meeting over 90-day criteria.

Alderman Lopez moved to receive and file the reports. Alderman Guinta duly seconded the motion.

Alderman Smith stated I see that a lot of these are inter-department like the School Department and over 90 days and some of them I can't understand why they haven't been paid like an athletic event at Gill Stadium. Most of these are coming from our various departments.

Ms. Shaffer stated right we do have a listing in here and one of the reports we include for you is specifically interdepartmental billing so you can see how much of that activity is within the departments. I am happy to say that after we issued this at the end of January we did receive a payment of \$1.1+ million from the Manchester School District. They have been making more frequent payments. As you know after the transition we had the chargeback issue and who exactly was going to pay for what. We have come to much better terms regarding that particular subject matter and they are paying on a more regular basis any of the chargebacks that are associated with that.

Alderman Smith stated I notice that the Manchester Water Works has an outstanding bill with EPD for asphalt on various streets on the West Side.

Ms. Shaffer asked is that on one of these pages.

Alderman Smith replied yes it is – over 90 days.

Ms. Shaffer asked which page is it.

Alderman Smith stated it is in regard to Kelley Falls and apparently EPD paved it and they haven't paid it yet.

Mr. Clougherty stated even if we find it on the page we might not be able to tell you why it hasn't been paid. One of the purposes of this report is to get out publicly who owes what. As Joanne said the last time the report came out the School Department paid us \$1.1 million.

Alderman Smith replied it is on Page 1. It is right up on the top.

Ms. Shaffer responded this is a relatively recent bill so presumably this has only been billed within the last 30 to 45 days and because of the payable schematic that the City has they probably haven't had a chance to pay this bill yet or actually submit it as a payable.

Mr. Clougherty stated let me explain. The policy that we have been able to preserve in this City is that if you get us a bill by the 25th of the month then you will get a payment on the 15th of the next month. We have been able to sustain that will all of our vendors. Depending on when the bill got done and got over and got into the system, they may have missed the 25th, which means they will get paid the following month and that is what she is saying.

Alderman Guinta asked who is Pyramid Entertainment.

Ms. Shaffer answered that was the facility on Second Street.

Alderman Guinta asked who is the owner.

Ms. Shaffer answered Tom Arnold has worked with them to set-up the payment terms.

Mr. Sherman stated if I can just explain going back to Page 1 that Alderman Smith was on, way over in the right hand column there is a column called "Aging Control Code." The Page 1 you were on was a C and that means it is within the first 30 days. If you flip over to Page 3 of that report you will see there is a 30 and then a little bit further down there is a 60 so everything after that 30 is over 30 days old but not quite 60. Those are actually current, as Joanne had said.

Ms. Shaffer stated I am not the Sharon Wickens who sent you these reports. My name is Joanne Shaffer and you can feel free to call her or I if you would like more detail about these receivables or if you would like a little lesson on how to follow along so that you can look at them at a glance and know exactly what our status is. You know that there are people here, Chairman Shea, to talk about some of the billings that were made through the Fire Department billing system. In the last part of that letter it says "listing of invoices submitted to City Solicitor for legal determination" sorry actually it is the next paragraph. In the last paragraph

of the letter that is listed as Item 7, it says “in addition enclosed are copies of correspondence and invoices sent to three Fire Department customers who are disputing their billing.” They have been invited to this Committee on Accounts meeting for discussion. Part of the problem is that when accounts receivable billings are issued, if the customer who has received the billing has a problem with the bill or wants to contest it, they don’t really have any place to go for final recourse. With the change in the Charter, that left the Fire Commission powerless basically in that particular entity so when they want to challenge a bill they haven’t really had a body to deal with. These people are challenging some of the bills that were sent to them by the Fire Department and they would like to speak with you. I think Brent Lemire is here from the Fire Department and they would like to speak to you about these cases as well as some of the individuals who are contesting the payments.

Chairman Shea asked Brent Lemire to come forward.

Mr. Lemire stated I am the Business Services Officer at the Fire Department. I believe there were three letters or three people listed but I believe only two will be dealt with today because Mr. Keefe is hospitalized. Apparently he called and asked that his not be taken up today. The two that we would like to speak to you on is first the McQuade, Inc. one. It is Item 7E. Apparently the corporation wishes the City to waive the \$250 fee for calls made in 1997. The only thing that we would actually say is that their reasoning it should be waived is because it was a new system and they felt that the bugs weren’t out of it and that they shouldn’t be charged for instances where the Fire Department responded. The problem that the Fire Department has is that there were 10 calls I believe...the first five are at no charge due to the fact that we recognize that systems are new and that they have to be tweaked and adjusted accordingly. There were 10 here and these were over a period from August until December. The situation or the reason that we asked for the ordinance to be put in was so that people would speed up the process of tweaking their alarm systems because over a period of four months the department feels that is an excessive amount of time not to insure that the alarm system is working properly. Hundreds of other...I shouldn’t say hundreds because I don’t know exactly but there are several other City businesses over the years that have had to pay this fee because of the fact that their alarm systems weren’t set properly and to probably determine that this fee could be waived may offer an unfair advantage to the businesses that have paid over the years for the same reasons. The second, and I believe there is a representative here, the second one concerns property located at 1155 Elm Street, which I believe is the Numerica building. The department really can’t take an opinion on this one. We have no authority to waive this. They did have a malicious false alarm. Mr. Leclerc, the building manager, indicated that full stations and sprinkler heads are exposed to the public in that building and it is very difficult to monitor when someone comes

and pulls the alarm or knocks off the sprinkler head. Basically I believe in this situation it was only one that threw him over the limit so the department...I don't know that the department feels strongly one way or the other on this issue. It is an unfortunate situation that he may not have had any control over but the department is powerless to waive this and it would be up to the Committee.

Chairman Shea asked so your recommendation is to waive the problem that Mr. Leclerc had is that what you are saying.

Mr. Lemire answered I don't believe the department can offer a recommendation on that. I believe that is up to the Committee. The department is neutral on that whereas on the McQuade one we feel that the Committee should not waive that fee. This one here at 1155 Elm, certainly the Committee can look at the information and it was a malicious act that was not necessarily caused by the owner or the building manager. The department is neutral on that one.

Alderman Lopez stated last year we waived a fee for one of the customers after talking to him. You said there was a gentleman here. Could we hear his side of the story?

Mr. Lemire replied I believe it is in regards to 1155 Elm Street.

Mr. Dick Leclerc stated I am the Building Manager at 1155 Elm Street and have been there for 16 years. I received a letter back in May of 2000 regarding an alarm fee call and basically it was a \$50 charge. I did get a list of the calls that I had and they are listed...I am not sure how the department interprets all of these but some of them were unintentional. We had a system malfunction. We had an emergency medical call. We also had what I think should not be considered and that was a malicious mischievous. We cannot control this. No more than the Police Department can. You have people between Charley Peppers and the Rover and they go back and forth. They get intoxicated and do what they want. We have kids who simply pull the stations and run out of the garage. We have no control over that. Those pull stations were put there for emergencies. Some people don't look at it that way. After a few drinks they just do what they want. I think for the 15 or 16 years that I have been there, the building has had a good record. Therefore, I ask the Committee to waive the fine.

Alderman Lopez moved to waive the \$50 fine for 1155 Elm Street. Alderman Guinta duly seconded the motion.

Chairman Shea called for a vote on the motion. There being none opposed, the motion carried.

Chairman Shea stated it has been pointed out to me that if we were to go back to Mr. McQuade, that occurred in 1998. It is now the year 2002 and the statute of limitations has run out. I am not sure but I would like the City Solicitor to comment on that.

Deputy Solicitor Arnold replied I noticed the invoice date was 1998. McQuades of course could pay this bill voluntarily but I would not recommend bringing any type of action to collect it because the statute of limitations runs at three years.

Alderman Thibault moved to waive the fine. Alderman Guinta duly seconded the motion.

Deputy Solicitor Arnold stated I think that what probably ought to happen rather than having it waived is it should be added to the write-off list.

On motion of Alderman Thibault, duly seconded by Alderman Guinta, it was voted to add the fine to the write-off list.

Ms. Shaffer asked does that mean you want us to change the total on the current list or would you advise that we submit it for the next write-off list.

Chairman Shea answered you can submit it with the next write-off list.

TABLED ITEM

8. Communication from Kevin Sheppard, Deputy Public Works Director, regarding the Johns Manville Settlement Fund.

Ms. Shaffer stated we talked about this in the office today. This is some litigation money from the asbestos that was in some of the City buildings that we receive from time to time. Generally speaking, what Kevin Sheppard was doing was requesting that the money be retained for some of the inspections that they want to do. I think the reason it was put here was so that it could be held until the end of the year to determine whether or not there was going to be surplus revenue in which instance we then might consider giving it to him for the reasons that he suggested. Right now we don't know if we are going to have surplus revenue so it has been tabled until year-end.

This item remained on the table.

NEW BUSINESS

Alderman Lopez stated I have an item. Is Kevin Buckley here? I would like to have an audit done of the Canal and Victory garages. The main reason is that they have not had a written contract for the last seven years and I think that we need to know whether the City is collecting the money and whether the policies established by the Traffic Department are being complied with.

Mr. Buckley asked how soon would you like this to start.

Alderman Lopez answered if the other items are priority I don't want to put this ahead of those.

Mr. Buckley replied the Assessor's audit shouldn't take me too long.

Alderman Lopez stated then right after the Assessor's audit should be fine.

On motion of Alderman Lopez, duly seconded by Alderman Thibault, it was voted to have Kevin Buckley apprise the Committee at their next meeting as to how long it will take to audit the Canal and Victory parking garages and when he can begin.

There being no further business, on motion of Alderman Smith, duly seconded by Alderman Guinta, it was voted to adjourn.

A True Record. Attest.

Clerk of Committee